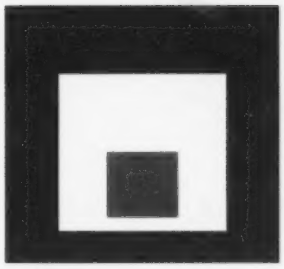

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

2010 ANNUAL REPORT

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

BOARD OF DIRECTORS

Honourable Tim McMillan, Chair
Honourable Ken Krawetz, Vice-Chair
Honourable Jeremy Harrison

OFFICERS

John Amundson, CA
General Manager

Dorothy Toews
Treasurer

Terry Ross
Corporate Secretary

INVESTMENT MANAGEMENT

Greystone Managed Investments Inc.

GENERAL INQUIRY TELEPHONE NUMBERS

In Regina: (306) 787-6851
Fax: (306) 787-8030

MAILING ADDRESS

300 - 2400 College Avenue
Regina, Saskatchewan
S4P 1C8

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

ANNUAL REPORT

For the Year Ended

December 31, 2010

CONTENTS

Letter of Transmittal 3

Saskatchewan Development Fund Corporation

History and 2010 highlights 4

Management's Responsibility for Financial Statements 5

Auditors' Report 6

Financial Statements 7

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 1, 2011

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Development Fund Corporation for the year ended December 31, 2010, in accordance with *The Saskatchewan Development Fund Act*. The financial statements are in the form approved by the Treasury Board and have been reported on by the Corporation's auditors.

Respectfully submitted,

Minister Responsible for Crown Investments Corporation

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

HISTORY AND 2010 HIGHLIGHTS

The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under *The Saskatchewan Development Fund Act* to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in return received management fees and sales charges from the Fund.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those who wished to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those who desired an investment vehicle with combined savings and growth potential.

In 1988, the Corporation entered into an agreement with Greystone Managed Investments Inc. (Greystone) to provide investment counsel with respect to the Corporation's investment activities. The Corporation provided Greystone with a statement of investment policies and guidelines which were designed to provide optimum investment returns. On February 24, 2005, the Corporation invested their short-term investments in the Greystone Money Market Fund. This action was taken to simplify cash management.

During 2009, the Board of Directors of SDFC resolved to close the Fund. On December 31, 2009, the Fund had redeemed all remaining accounts and closed operations.

During 2010, the Board of Directors of SDFC resolved to cease all operations of SDFC. On December 31, 2010, SDFC transferred all remaining assets and liabilities to CIC effectively winding-up all operations. SDFC is working with the Saskatchewan Legislative Assembly on introducing legislation to repeal *The Saskatchewan Development Fund Act*.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Financial Statements have been prepared by management of Saskatchewan Development Fund Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors meets with management, and when necessary, the Corporation's external auditors Dudley & Company, LLP and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the Financial Statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Dudley & Company, LLP has audited the Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Financial Statements, appears on the following page.

John Amundson, CA
General Manager

Dorothy Toews
Treasurer

March 1, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Development Fund Corporation which comprise the statement of financial position as at December 31, 2010, the statements of operations and comprehensive income, retained earnings, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Development Fund Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Company LLP

Chartered Accountants
Regina, Saskatchewan

March1, 2011

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	2010	2009
ASSETS		
Current Assets		
Cash	$ -	$ 67,194
Investments (Note 3)	-	2,349,229
	$ -	$ 2,416,423
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable	$ -	$ 9,315
Current portion of annuities payable (Note 4)	-	43,935
	-	53,250
Annuities payable (Note 4)	-	27,669
	-	80,919
Province of Saskatchewan's Equity		
Equity advances (Note 5)	-	700,000
Retained earnings	-	1,635,504
	-	2,335,504
	$ -	$ 2,416,423

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31

	2010	2009
REVENUE		
Investment	$ 81,401	$ 100,607
Fund management fees (Note 6)	-	10,441
	81,401	111,048
EXPENSES		
Interest - annuities	9,917	12,626
Administrative	11,846	27,637
	21,763	40,263
NET EARNINGS	59,638	70,785
OTHER COMPREHENSIVE INCOME	-	-
COMPREHENSIVE INCOME	$ 59,638	$ 70,785

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31

	2010	2009
RETAINED EARNINGS, BEGINNING OF YEAR	$ 1,635,504	$ 1,564,719
NET EARNINGS	59,638	70,785
DIVIDENDS	(1,695,142)	-
RETAINED EARNINGS, END OF YEAR	$ -	1,635,504

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31

	2010	2009
OPERATING ACTIVITIES		
Net earnings	$ 59,638	$ 70,785
Deduct non-cash item:		
Amortization of discounts and premiums	(80,734)	(99,526)
	(21,096)	(28,741)
Net change in non-cash working capital balances related to operations (Note 7)	(9,315)	(788)
Cash used in operating activities	(30,411)	(29,529)
INVESTING ACTIVITIES		
Purchase of held-for-trading investments	(584)	(51,052)
Proceeds from sale of held-to-maturity investments	435,000	585,000
Transfer of held-to-maturity investments to CIC	1,804,988	-
Proceeds from sale of held-for trading Investments	190,559	60,000
Cash provided by investing activities	2,429,963	593,948
FINANCING ACTIVITIES		
Repayment of annuities payable	(65,481)	(47,610)
Transfer of annuities payable to CIC	(6,123)	-
Dividends paid	(1,695,142)	-
Repayment of equity advances	(700,000)	(450,000)
Cash used in financing activities	(2,466,746)	(497,610)
NET CHANGE IN CASH DURING THE YEAR	(67,194)	66,809
CASH POSITION, BEGINNING OF YEAR	67,194	385
CASH POSITION, END OF YEAR	$ -	$ 67,194

(See accompanying notes)

1. Status of the Corporation

Saskatchewan Development Fund Corporation (SDFC) was established in 1974 under *The Saskatchewan Development Fund Act* to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund). In 1976, SDFC also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, SDFC ceased to offer new annuities to the public.

SDFC has been designated by Order-in-Council as a corporation to which the provisions of *The Crown Corporations Act, 1993* apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

During 2009, the Board of Directors of SDFC resolved to close the Fund. On December 31, 2009, the Fund had redeemed all remaining accounts and closed operations.

During 2010, the Board of Directors of SDFC resolved to cease all operations of SDFC. On December 31, 2010, SDFC transferred all remaining assets and liabilities to CIC effectively winding-up all operations. SDFC is working with the Saskatchewan Legislative Assembly on introducing legislation to repeal *The Saskatchewan Development Fund Act*.

SDFC is a Provincial Crown corporation and therefore is not subject to Federal or Provincial income tax.

2. Summary of Significant Accounting Policies

SDFC financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

a) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual amounts could differ from these estimates.

b) Financial instruments

The following is a summary of SDFC's financial instruments, their classification and measurement basis:

- Cash and money market investments are classified as held-for-trading and are measured at fair value with changes in fair value recognized in net earnings.
- Accounts payable and other short-term liabilities are classified as other liabilities and are measured at amortized cost.
- Investments are held-to-maturity and are measured at amortized cost.
- Annuities payable are classified as other liabilities and are measured at amortized cost.

2. Summary of Significant Accounting Policies (continued)

c) Revenue recognition

Revenue from investments held is recorded as income in the period earned. Revenue from management fees are recorded when service is provided.

3. Investments

Description	2010 Cost	2010 Fair Value	2009 Cost	2009 Fair Value
Money Market				
Money Market fund	$ -	$ -	$ 189,975	$ 189,975
Bonds and Debentures				
Canada Zero Coupon $435,000, June 1, 2010	-	-	427,593	434,300
Canada Zero Coupon $1,124,000, June 1, 2011	-	-	1,065,087	1,104,487
B. C. Zero Coupon $485,000, Sept. 5, 2011	-	-	443,804	472,521
Canada Zero Coupon $125,000, June 1, 2012	-	-	113,578	119,241
Canada Zero Coupon $125,000, June 1, 2013	-	-	109,192	114,800
	-	-	2,159,254	2,245,349
Total Investments	$ -	$ -	$ 2,349,229	$ 2,435,324

3. Investments (continued)

a) Federal bonds are valued at their recognized public exchange closing sale price on their valuation date.

b) Total cash interest received on investments during the year was $159.0 thousand (2009 - $175.9 thousand).

c) Market Risk

SDFC has entered into long-term fixed income investments to match maturities of annuities payable with its asset portfolio. Therefore, SDFC's exposure to market risk is insignificant.

4. Annuities Payable

	2010	2009
Annuities payable at various interest rates, repayable in monthly installments until maturity	$ -	$ 71,604
Less: current portion	-	43,935
Long-term portion of annuities payable	$ -	$ 27,669

SDFC had 2 outstanding annuities at December 31, 2010, with maturing dates ranging from 2011 to 2012. Effective December 31, 2010 CIC has taken over responsibility for repayment of the remaining annuities. Total gross payments on remaining annuities transferred to CIC was $6.2 thousand (2009 - $81.5 thousand) assuming the remaining annuities run to maturity.

Fair value of annuities payable is determined by discounting future payments at current market rates. Fair value of annuities payable transferred to CIC on December 31, 2010 was $5.7 thousand (2009 - $76.7 thousand).

Interest paid on long-term annuities payable during the year, on a cash basis, was $9.9 thousand (2009 - $12.6 thousand).

5. Equity Advances and Capital Disclosures

SDFC does not have share capital. However, SDFC had received equity advances from its parent CIC to form its equity capitalization. In order to wind-down operations, SDFC repaid its remaining $700 thousand in equity advances in the current year.

6. Fund Management Fees

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by *The Saskatchewan Development Fund Act* to the lesser of 1.25% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis. On December 31, 2009, the Fund was closed; therefore, in 2010 no revenue was earned through management fees.

7. Net Change in Non-Cash Working Capital Balances Related to Operations

	2010	2009
(Decrease) increase in accounts payable	$ (9,315)	$ 22
Decrease in due to Saskatchewan Development Fund	-	(810)
	$ (9,315)	$ (788)

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

SDFC paid CIC $Nil (2009 - $13,188) for accounting and technical services and lease of space under agreements between SDFC and CIC.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.